

U.S. Bancorp Investor Day

Payment Services

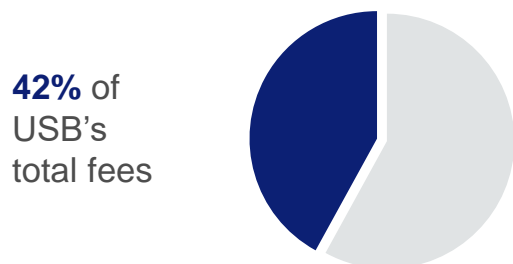
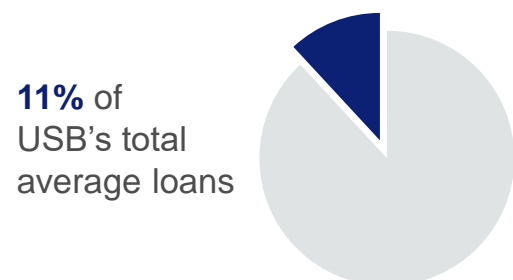
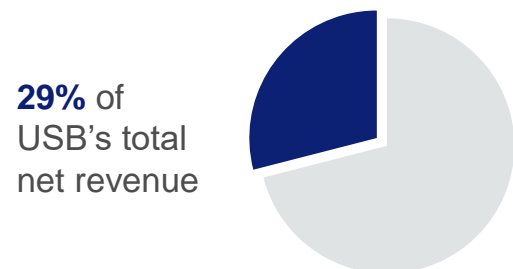
Shailesh Kotwal
Vice Chair, Payment Services

September 12, 2019



Payment Services

Contribution to USB:



1H19 highlights:

\$ in millions	1H19	change vs. 1H18
Net interest income	\$1,215	1.1 %
Noninterest income	1,801	2.9
Net revenue	3,016	2.2
Noninterest expense	1,522	4.0
Net Income	684	(2.4)

	1H19	change vs. 1H18
Net interest margin	7.37 %	(55 bps)
Efficiency ratio *	50.5	90 bps
Return on average assets	3.53	(36 bps)

\$ in millions	1H19	change vs. 1H18
Retail payment solutions fees	\$675	(0.6) %
Global merchant acquiring fees	795	5.0
Corporate payment systems fees	331	5.4

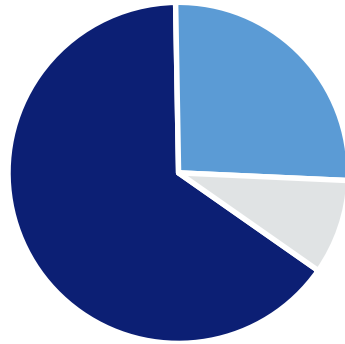
Full-year 2018 data unless otherwise noted; net interest income ("NII") and net interest margin on a taxable-equivalent basis

Total net revenue, average loan and fee percentages exclude Treasury and Corporate Support; see slide 4 in Agenda, Forward-looking Statements and Non-GAAP Financial Measures presentation for calculations

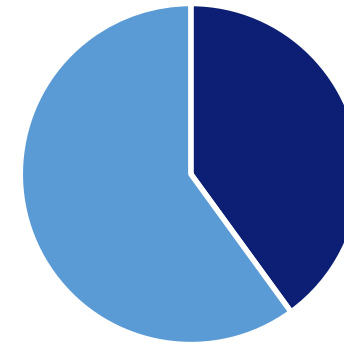
* Non-GAAP, see slide 8 in Agenda, Forward-looking Statements and Non-GAAP Financial Measures presentation for calculation

Financial Highlights

Total net revenue breakdown:

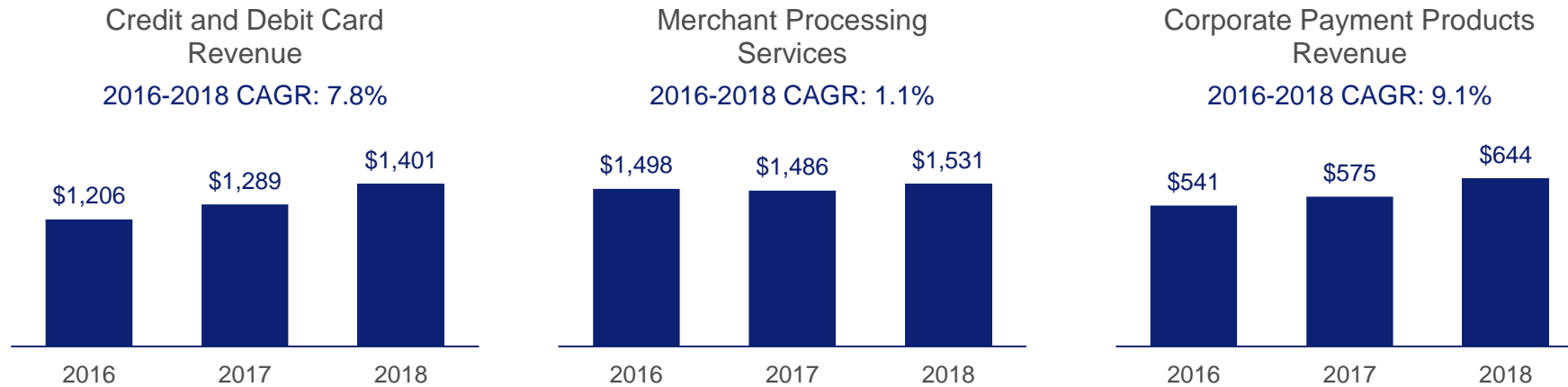


Retail payment solutions – **65%**
 Global merchant acquiring – **26%**
 Corporate payment systems – **9%**



40% NII
60% fee income

Fee revenue:



A Scale Player Across Payments

#1

payments provider to the U.S. Federal Government Card, Freight and Fleet¹

#1

agent financial institution issuer ranked by average net receivables²

#2

freight payment provider ranked by purchase volume²

#3

U.S. commercial card issuer ranked by purchase volume³

#3

U.S. fleet card issuer ranked by purchase volume³

#4

European merchant acquirer for countries in which we operate⁴

#5

U.S. merchant acquirer ranked by Visa and Mastercard volume⁵

#5

U.S. credit card issuer ranked by Visa and Mastercard purchase volume⁶

1) Source: company reports and GSA website; 2) Source: company reports; 3) Source: Nilson Report #1134 and company reports; 4) Source: Global Data, countries include UK, Ireland, Poland, Norway and Germany; 5) Source: Nilson Report #1149, excludes joint ventures; 6) Source: Nilson Report # 1148



Retail Payment Solutions



Differentiated issuing platform

- Scalable operating platform enables us to provide a competitive, comprehensive and turn-key suite of card issuing services and capabilities

Unique distribution

- ***Largest U.S. provider of agent financial institution (FI) issuing***
- Nearly 1,400 FI partners with over 15,000 branches

Diversification through enterprise-class cobrand corporate partnerships

- 13 major partners with over 18,000 distribution points

Proprietary brand

- U.S. Bank-branded consumer and small business cards
- Distributed through approximately 3,000 USB branches and online/mobile channels

Global Merchant Acquiring



International processing platform

- Pan-European acquirer processing **100+ currencies in 25+ countries**

Integration with software vendors

- Continuing to build, buy and collaborate on solutions that drive growth in our ISV distribution channel and enhance our offerings in select vertical markets
- **ISV partnerships up more than 40% YoY**

Industry vertical specialization

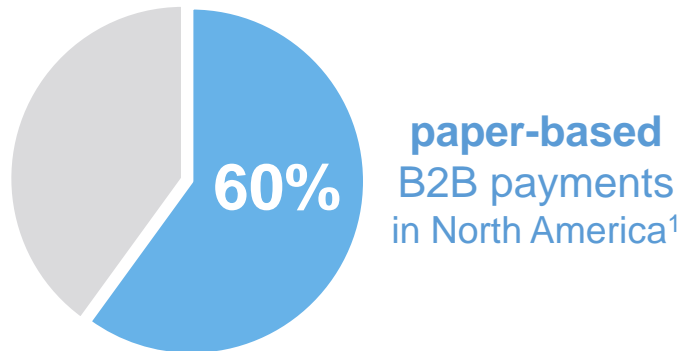
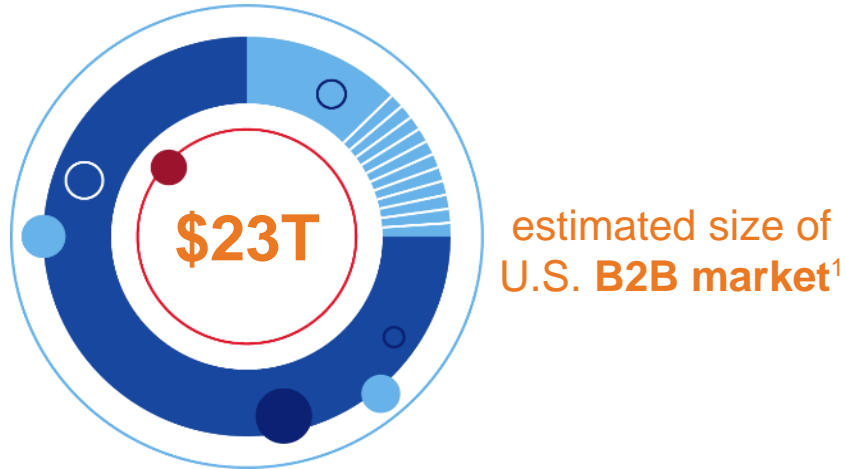
- Key verticals include airline, hospitality, healthcare, and small- and medium-sized businesses (SMBs)
- Added capabilities serving state and local governments

Delivering comprehensive and seamless banking solutions

- Integrating banking products with merchant processing capabilities



Corporate Payment Systems



Leading provider in corporate B2B payables

- *Serving nearly 200 of Fortune 500 companies* with commercial purchasing and T&E cards
- Fast-growing virtual pay offerings
- Largest payments provider to the U.S. government

Proprietary, closed-loop fleet and freight payment networks

- Invoice, audit and payment solutions
- Fleet *Voyager* cards accepted at 320k+ fueling and maintenance locations

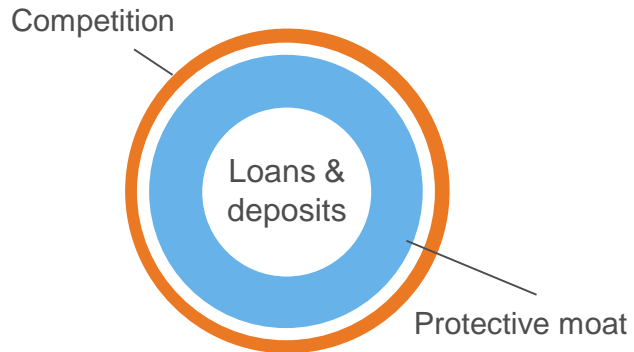
Digitized business payments

- Collaborating with treasury management and software providers to digitize
- Creating simple, seamless integrated business payment experiences

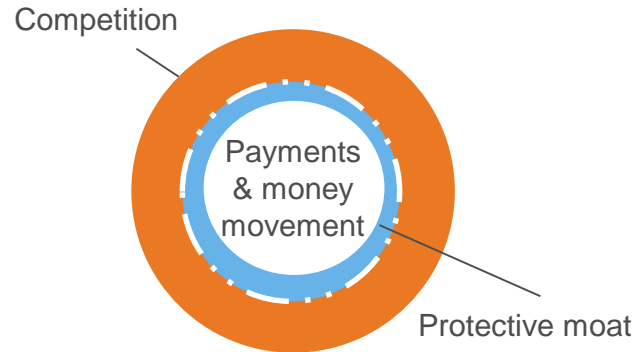


The Competitive Environment

As the lines between traditional banking and payments capabilities blur, there is opportunity for **integrated banking and payments solutions**.



the moat around balance sheet-driven businesses remains intact



lower barriers to entry within payments result in competition from non-banks

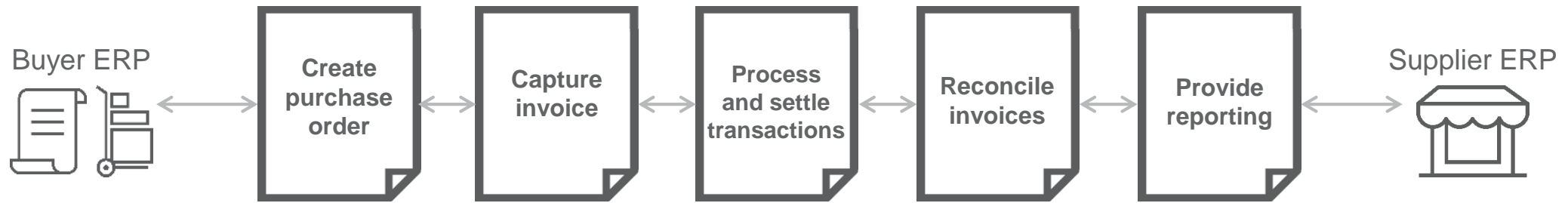


accelerated digitization creates opportunities to leverage data

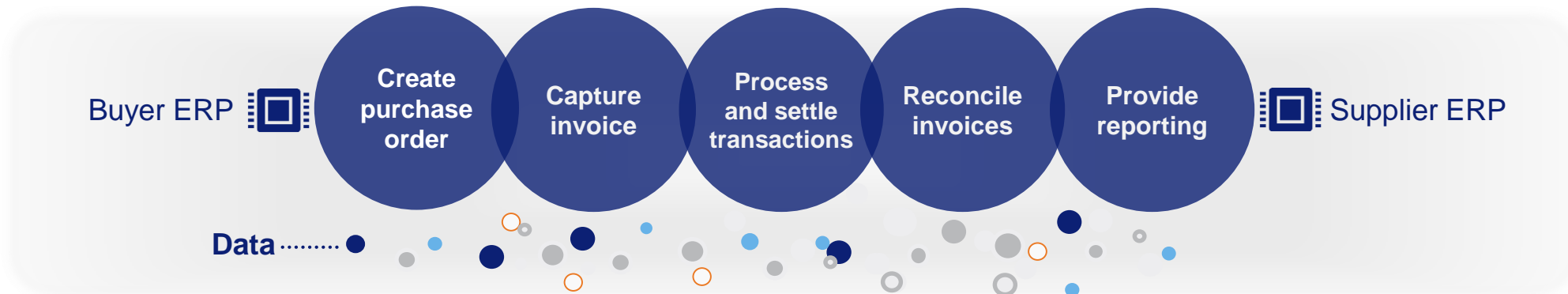
We're Already Positioned to Digitize the B2B Payments Process

We are collaborating across U.S. Bank to enable simple, seamless, and integrated business payment solutions that add value for both buyers and suppliers.

Typical disconnected, paper-based supply chain:



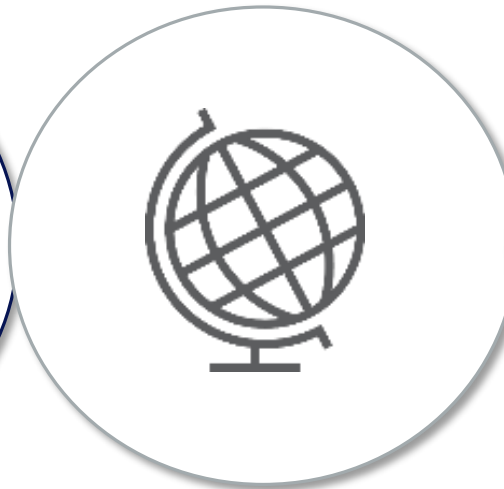
Digitized and integrated supply chain:



Our Strategy and Key Initiatives



Driving digitization and leveraging data across both consumer and business payments



Expanding our reach via added and enhanced capabilities and distribution



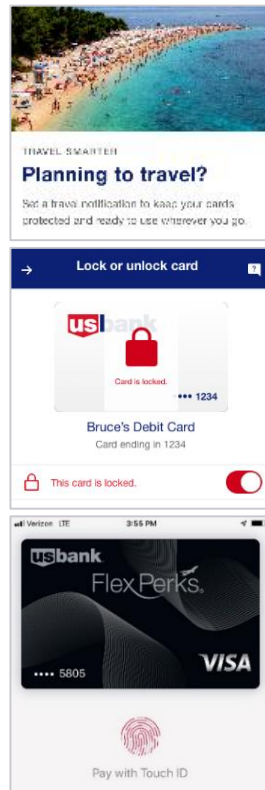
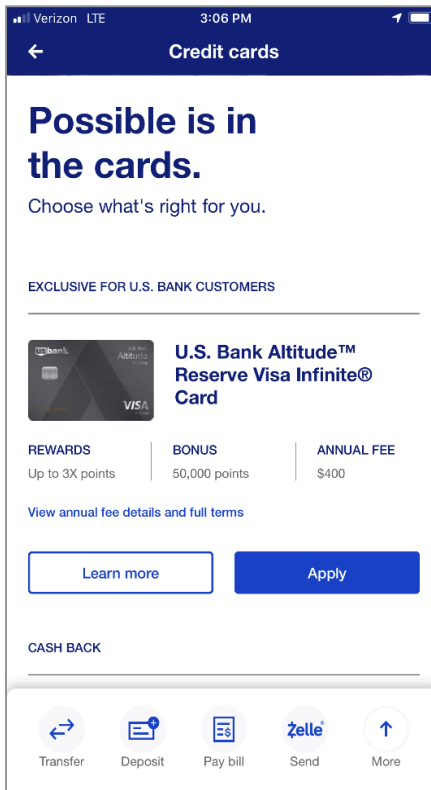
Integrating business payments with a broader set of banking solutions to serve our customers' needs holistically



Ubiquity

Digitization With Analytics and Insights

Investing in digital-first payments capabilities leveraging data and insights to bring our customers choice, convenience and control.



Enabling customer DIY:

- Accelerate new account growth
- Increase customer engagement
- Drive efficiency and customer satisfaction

Innovative solutions for merchants and corporate customers:

- Streamline complex processes
- Boost customer efficiency
- Reduce customer risk
- Capture previously untapped spend categories

Digitizing travel agency payments

- Over \$230B addressable market
- Leveraging Amadeus B2B Wallet
- Elavon processing and USB Virtual Pay capabilities
- Reduces costs by up to 70% over current payment methods (bank wire, check)

Expanding Our Distribution and Capabilities



Expanding our distribution

Buying

- Over \$3B in card portfolio acquisitions
- 60+ deals in the financial services sector via Elan
- Six merchant and B2B capability acquisitions

Building: integrated payments partner tools

- Developer portal enhancements
- APIs and software development kits
- ISV partnerships **up more than 40% year-over-year**

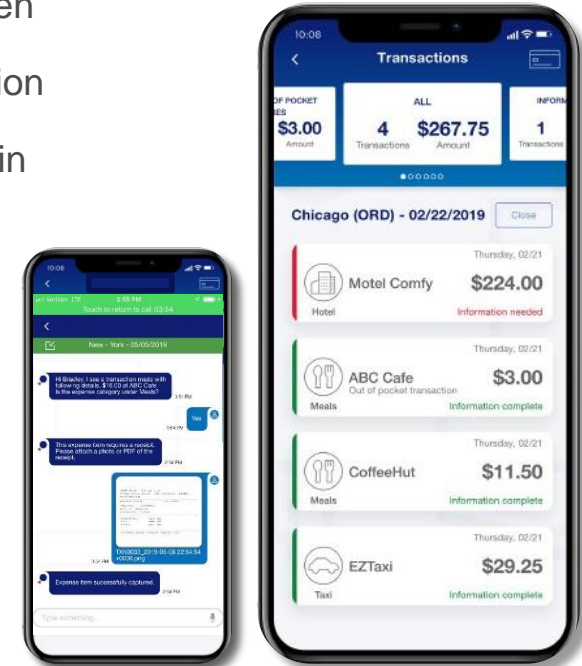
Collaborating: Expense Wizard

- Digitizing infrequent traveler expense management
- AI-driven digital tools and customer control



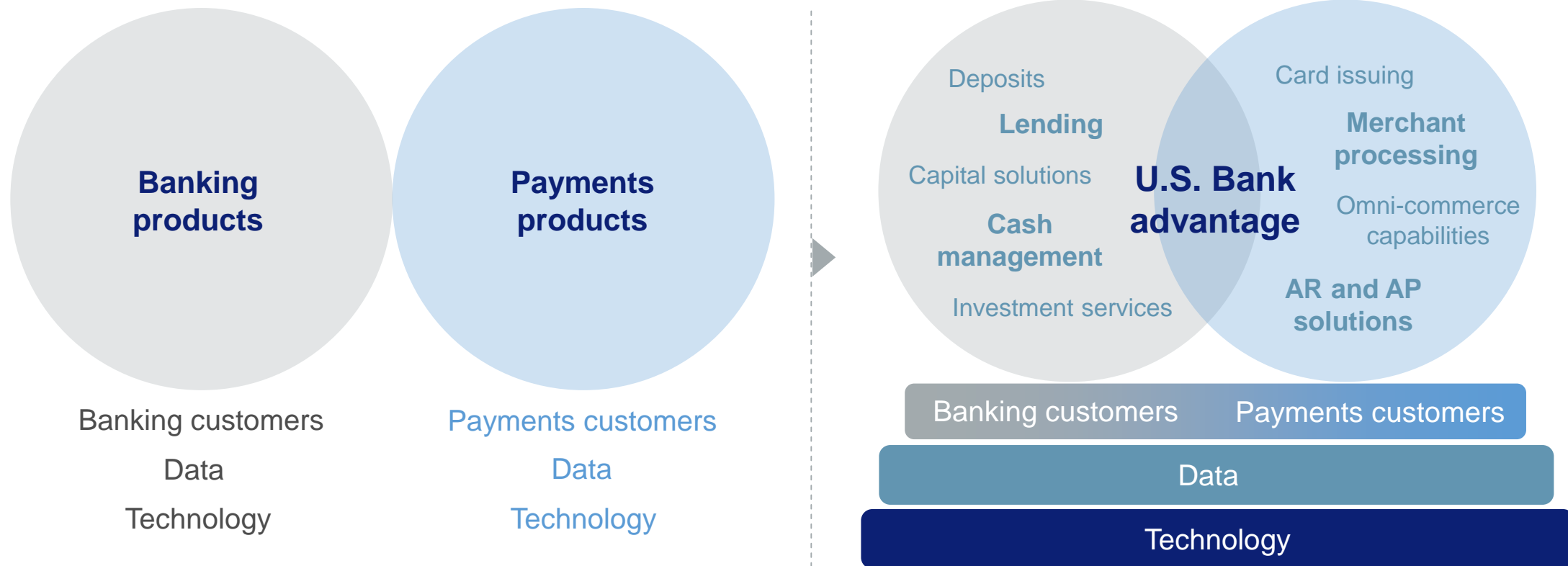
Innovative products capturing new spend

- Artificial intelligence-driven
- Chrome River collaboration
- Leveraging virtual cards in mobile wallets
- Addressable market spend of \$150 billion



Integrating Payments With Our Full Set of Banking Solutions

We are **partnering across U.S. Bank** to provide our customers a holistic array of “money in, money out” solutions.



In Summary...

- Strong, **at-scale franchises** in issuing, acquiring and corporate B2B payments
- **Extensive** network of **distribution** points, innovative products and capabilities
- Unique, **proprietary platforms** at scale
- Expanding reach with integrated software vendors delivering **omni-commerce solutions**
- Leveraging **data and digitization**
- **Integrating an extensive set of payments and banking solutions**

